Annual Report to the

North Carolina General Assembly

Energy Credit Banking and Selling Program Annual Report

FY 2016-2017

NORTH CAROLINA
DEPARTMENT OF ENVIRONMENTAL QUALITY

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Energy Credit Banking and Selling Program Annual Report FY 2016-2017

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Joint Legislative Commission on Governmental Operations
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State Energy Office of the Department of Environmental Quality

The Energy Policy Act (EPAct) State and Alternative Fuel Provider Rule was implemented with provisions of Titles III-V of the Energy Policy Act (EPAct) of 1992. EPAct requires state government and alternative fuel provider fleets that operate, lease, or control 50 or more light-duty vehicles (LDV) within the United States to acquire alternative fuel vehicles (AFV).

Since 2001, as a covered fleet, EPAct has required that 75% of North Carolina State Government new LDV acquisitions are AFVs. The State Energy Office (SEO) of the Department of Environmental Quality (DEQ) is the entity designated report LDV acquisition activity to the U.S. Department of Energy (DOE) by December 31st of each calendar year.

The State earns one vehicle credit for every light-duty AFV it acquires annually beyond the base vehicle acquisition requirements. Once the State has satisfied the annual light-duty AFV acquisition requirements, it also earns one credit for every heavy-duty AFV purchased annually. Credits generated by vehicle acquisitions can be sold or banked for future use, and credit trading is allowed between fleets that need to buy or sell banked credits. However, only credits that are tied to alternative fuel use in an AFV can be sold. In federal fiscal year 2016-2017, the State earned 112 AFV credits that can be sold. EPAct credits have ranged in value from $800 to $1,100. The selling price is negotiated between the buyer and the seller. Upon completion of the negotiation, the final transaction is approved by DEQ.

As directed by legislation, the SEO has compiled this report and attached the guidelines and rules on the Energy Credit Banking and Selling Program. The report is based on data from the federal fiscal year cycle from October 1, 2016 through September 30, 2017. The provisions for the Energy Credit Banking and Selling Program were enacted by the 2005 General Assembly in Senate Bill 1149/S.L 2005-413, with subsequent rules approved by the Rules Review Commission in April 2007, that became effective on May 1, 2007.

Guidelines for the EPAct Credit Banking and Selling Program were developed, reviewed by, and approved at the May 9, 2007, Alternative Fuels Consortium (Consortium), and the May 14, 2007, meeting of the Energy Policy Council. The Credit Selling Working (CSW) group is a subgroup of the Consortium. The CSW group consists of designees from: the North Carolina Department of Transportation (DOT) Equipment Unit; the Department of Administration Motor Fleet Management (MFM) Division; the SEO; and other State agencies and institutions that generate EPAct credits. The CSW group meets to discuss the number of credits earned annually, the number that are deemed "sellable," and a price range with a minimum selling price for all credits.

The State of North Carolina, through the efforts of MFM and DOT, currently has 3,023 excess credits to sell based on analysis of sellable credits earned through alternative fuel use through federal fiscal year 2016-2017. No credits were sold during for federal fiscal year 2016-2017. Since the inception of the EPAct Credit Banking and Selling Program, the completed trades of 1,792 credits has yielded a total of $1,681,715, which has been deposited into the Alternative Fuel Revolving Fund, (AFRF) held by DEQ. These revenues and corresponding credits sold are listed in the following table:

EPAct CREDIT BANKING & SELLING PROGRAM	CREDITS Earned	SOLD	DEPOSITS
FY 04-05 credits	365	-	-
FY 05-06 credits	424	-	-
FY 06-07 credits	291	111	$110,760
FY-07-08 credits	353	429	$425,580
FY- 08-09 credits	112	4	$3,800
FY- 09-10 credits	252	372	$352,675
FY-10-11 credits	102	236	$220,400
FY-11-12 credits	297	200	$180,000
FY-12-13 credits	301	215	$196,500
FY-13-14 credits	299	0	$0
FY-14-15 credits	115	225	$192,000
FY-15-16 credits	112	-	-
*FY-16-17 credits			
TOTAL CREDITS	**3,023**	**1792**	**$1,681,715**
BALANCE of sellable credits	**3,023**		
*credits that are eligible to be sold by the State of NC have been accrued through the use of E85 ethanol in flexible fuel vehicles (FFVs) operated by the Division of Motor Fleet Management			
SEO will submit the annual State and Alternative Fuel Provider Report to DOE by 12/31/2017			

For the time period ending September 15, 2017, a total of $696,419.93 remains in the AFRF from the sale of credits and interest accrued on the fund balances resulting from these sales. The EPAct credit sales are handled through direct sales by the SEO.

Alternative Fuel Revolving Fund Summary September 2017	**Amount**
Beginning Balance	$690,173.01
Total interest	$ 6,246.92
Subtotal	$696,419.93
Total disbursements	$486,764.00
Balance 9-15-2017	**$696,419.93**

The AFRF was established to receive and disburse revenue from EPAct credit sales. One credit is earned for each original equipment manufacturer or U.S. Environmental Protection Agency certified retrofit, flex fuel vehicle (FFV), compressed natural gas, propane, or electric vehicle purchased by the State. Credits that exceed the annual minimum state AFV acquisition requirement of 75% of light duty purchases can be banked through the U.S. DOE Office of Freedom Car and Vehicle Technologies Program. Banked credits are either used to meet future credit requirements or are sold. Credits are also earned through the use of B-20 biodiesel.

Although these credits cannot be sold directly, they can help the state fleet meet its minimum acquisition requirements. One vehicle credit is accrued through the use of 2,250 gallons of B-20, or 450 gallons of B-100. However, only credits that are tied to the actual use of alternative fuel in the AFV may be sold. This means that biodiesel use cannot accrue saleable credits. State agencies must document and track the use of alternative fuel in AFVs for credits that may be made available for sell.

The SEO currently lists credits on an open bulletin board on the U.S. DOE website such that entities interested in purchasing credits can see available credits.

The SEO annually informs the Consortium of revenue deposited in the AFRF account and the percentage of these funds generated by each participating State agency and institution. To date, MFM and DOT have generated 50% of the sellable credits. Even though the credits generated by DOT for B-20 use are not sellable, DOT's use of B-20 provides the opportunity for the State and MFM to exceed their minimum requirements. As a result, the credits generated by MFM through the use of E-85 in FFVs are deemed eligible for sale.

The distribution of funds is prioritized by the Consortium based on maximizing benefits to the State for the purchase of alternative fuel, related refueling infrastructure, and AFVs. Both the Energy Policy Council and the Consortium deemed it necessary to establish a clear priority for the funds accrued by the sale of credits.